

## Message Text

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PAGE 01 CARACA 10252 310243Z

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C O R R E C T E D C O P Y-CLASSIFICATION UPGRADED UNCLAS TO LOU

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E.O. 11652: N/A

TAGS: BENC, VE

SUBJECT: MAJOR PROJECT: NATIONAL PETROCHEMICAL PLAN

REF: (1) STATE 097578, (2) STATE 116181, (3) CARACAS 8543

1. FOLLOWING INFORMATION WAS OBTAINED IN MEETING WITH DR. DONOVAN CASSIDY, TECHNICAL ADVISOR TO CONIP, WHO IS ADMINISTRATIVE CONTROLLER IN CHARGE OF THE PREPARATION OF THE NATIONAL PETROCHEMICAL PLAN (1976-1981). THE INFORMATION OBTAINED PERTAINS ONLY TO PETROCHEMICALS. SEPARATE PLANS FOR FERTILIZERS AND EXPLOSIVES ARE BEING PREPARED.

2. THE PLAN PROPOSES NEW INVESTMENT OF BS. 10.65 BILLION BY 1981. THIS INVESTMENT WOULD BE DIRECTED TO EXPANSION OF THE EXISTING COMPLEX AT EL TABLAZO AND THE INSTALLATION OF THREE NEW COMPLEXES AT PARAGUANA, PUERTO LA CRUZ, AND CARIPITO.

3. FIVE CHARTS WHICH OUTLINE THE PLAN WILL BE SENT BY AIRGRAM TO DEPARTMENT AND USDOC. CHART NO. 1 PROVIDES INVESTMENT FIGURES AND PRODUCT MAKEUP FOR EACH COMPLEX. CHART 2 PROVIDES THE INVESTMENT BREAKDOWN PER YEAR FOR EACH COMPLEX. CHARTS 3 AND 4 GIVE CHRONOLOGICAL SCHEDULES FOR FEASIBILITY STUDIES AND ENGINEERING-CONSTRUCTION PROJECTS BY PRODUCT FOR EACH COMPLEX. CHART 5 PROVIDES A LIST OF PRODUCTS DIVIDED

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PAGE 02 CARACA 10252 310243Z

INTO 3 CLASSIFICATIONS PERTAINING TO THE GOV-PROJECTED PERCENT-

AGES OF GOVERNMENT VS PRIVATE OWNERSHIP. THE FIRST SECTOR CONSISTS OF BASIC AND STRATEGIC PRODUCTS WHICH ARE RESERVED EXCLUSIVELY FOR STATE-CONTROLLED OPERATIONS (SEE EXCEPTION IN PARA FOUR). THE SECOND GROUP CONSISTS OF SECOND STAGE DERIVATIVE PRODUCTS IN WHICH THE PRIVATE SECTOR, NATIONAL OR FOREIGN, CAN PARTICIPATE UP TO 49 PERCENT. PROJECTS TO PRODUCE PRODUCTS IN THE THIRD SECTOR MAY COMPRISE 100 PERCENT PRIVATE OWNERSHIP WITH UP TO 49 PERCENT FOREIGN PARTICIPATION.

4. IN THE FIRST SECTOR, WHERE HIGH TECHNOLOGY IS REQUIRED, AND NOT AVAILABLE IN VENEZUELA, THE LAW AUTHORIZES A MAXIMUM OF 20 PERCENT FOREIGN CAPITAL PARTICIPATION.

5. THE PLAN HAS MANY OBSTACLES TO OVERCOME BEFORE REACHING OPERATIONAL STATUS. VENEZUELA'S MASTER FIVE YEAR PLAN HAS BUDGETED BS. 3 BILLION FOR THE DEVELOPMENT OF THE PETROCHEMICAL INDUSTRY. THIS MEANS THAT BS. 7.65 BILLION MUST COME FROM PRESENTLY UNIDENTIFIED SOURCES. WHILE THE PLAN HAS BEEN APPROVED BY THE COUNCIL OF MINISTERS (REF 3), IT PRESENTLY FACES HEAVY OPPOSITION IN CONGRESS. IT IS DECREED IN THE PETROCHEMICAL PLAN THAT ALL NEW PETROCHEMICAL SECTOR INVESTMENT AND DEVELOPMENT MUST BE MANAGED BY PETROVEN, AND THAT IVP WILL BECOME A CORPORATION OWNED BY THE HOLDING COMPANY PETROVEN. PETROVEN, HOWEVER, IS RELUCTANT TO ASSUME THIS NEW RESPONSIBILITY AT THE SAME TIME IT IS STRUGGLING TO CONSOLIDATE ITS CONTROL OF THE FOURTEEN RECENTLY NATIONALIZED OIL COMPANIES. ON THE OTHER HAND, IT IS OBVIOUS THAT IVP OPPOSES EARLY IMPLEMENTATION OF THE PETROCHEMICAL PLAN AND WOULD PREFER TO CONCLUDE DEVELOPMENT OF THE EL TABLAZO OPERATION BEFORE STARTING A NEW EXPANSION OF THE INDUSTRY. THERE IS CONTINUED POLITICAL STRESS BETWEEN IVP AND CONIP.

6. CASSIDY SUMMARILY DISREGARDED IVP'S VIEWS BY SAYING "IVP DOES NOT HAVE THE GOVERNMENT'S OR THE PEOPLE'S SUPPORT". HOWEVER, IF PETROVEN WERE TO BEGIN TO CARRY OUT THE PETROCHEMICAL PLAN IT WOULD NEED THE COOPERATION OF IVP, WHICH EMPLOYS NEARLY ALL OF VENEZUELA'S PETROCHEMICAL-QUALIFIED ENGINEERS AND TECHNICIANS. IN ANY CASE, IVP DOES NOT HAVE SURPLUS ENGINEERS, TECHNICIANS, AND MANAGERS TO IMPLEMENT THIS AMBITIOUS PLAN. THE PLAN IS ALREADY BEHIND THE SCHEDULE WHICH CALLED FOR ITS EXECUTION

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PAGE 03 CARACA 10252 310243Z

TO BEGIN IN THE SECOND QUARTER OF 1976.

7. AS IT STANDS, DR. CASSIDY BELIEVES THE PLAN HAS ONLY A 50 PERCENT CHANCE OF BEING APPROVED BY THE VENEZUELAN CONGRESS. WERE CONGRESSIONAL APPROVAL TO BE GRANTED, RECONCILIATION OF THE GOVERNMENT'S INVESTMENT SHORTFALL, LOCATING ADEQUATE SKILLED LABOR AND QUALIFIED MANAGEMENT AND, PERHAPS MOST IMPORTANTLY, DECIDING WHO IS TO BE "IN CHARGE" OF THE PLAN'S IMPLEMENTATION

ARE ALL EXPECTED TO DELAY GETTING UNDERWAY ON THE PLAN'S  
REALIZATION.

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